

Supply Side Policies Grid D

Policy	What this means	How it helps increase capacity	Drawbacks
Increasing the national minimum wage	This means all workers in an economy must be paid at least a certain rate per hour.	This increases incentives to work making it more likely that people will seek work.	Can be inflationary. Firms may move jobs to other countries e.g. manufacturing jobs or call centres.
Education and training	This could include funding for apprenticeships, increasing the school leaving age, subsidising firm's training bills.	This should make workers more employable and more productive.	Can be costly and have time lags. May be inefficient if people are not trained in skills employers want staff to have.
Reducing trade union power	This means groups representing workers have fewer rights.	This means fewer days are lost to strike action. Foreign firms may be less wary about setting up in the country.	Most consider it a human right that workers should be able to negotiate over pay, conditions etc.
Allowing more immigration	Restrictions may be reduced. Those with certain skills may be offered special incentives to come.	There are now more people meaning more output can now be made.	May place strain on housing and school services. Success depends on how productive the people are who arrive.
Reducing unemployment benefit	This would cut state benefits such as job seeker's allowance.	This makes being out of work less attractive and increases incentives to work.	Can cause inequality. Increasing incentives to work is only successful if there are jobs for people to go to – lack of skills or aggregate demand may make finding employment difficult.
Reducing direct taxes	This refers to reducing charges on business profits or household income.	This should increase incentives to work and invest as more wage/profit is retained by the individual.	May possibly reduce revenue received by the government. May have inflationary effects.
Help for small/new firms	This may be in the form of grants, tax breaks, state funded advisors, reducing paperwork/administration	May create more vacancies. Provides competition for other firms increasing efficiency.	Success depends on other issues such as business confidence. Can be expensive.
Privatisation	Involves selling state owned assets to private companies.	In theory, private firms are motivated by profit and are more likely to be efficient.	Quality may fall. Private firms will not take issues of fairness or externalities into account.
Reducing protectionism	Means reducing tariffs, quotas etc reducing how much domestic firms are protected from foreign competition.	Firms are exposed to more competition and so become more efficient in response or specialise in other industries which they are better suited to.	In the short term this may lead to structural unemployment as uncompetitive industries decline. Cutting tariffs means a loss of government revenue.
Spending on infrastructure	May involve government spending on building new roads or improving existing ones, funding high speed broadband, new airport runways etc.	This helps firms communicate and move their products around the country. Workers may be more geographically mobile.	Can cause environmental damage and other negative externalities. Is likely to be expensive.
State funded childcare	The government could subsidise or directly provide care for pre-school children.	This gives parents more incentive to work increasing the size of the labour force.	Can be expensive. Some may argue that children are better cared for at home with their parent.